

March 11, 2016

Honorable Stacy Ruble  
Secretary  
Postal Regulatory Commission  
901 New York Avenue, NW, Suite 200  
Washington, DC 20268-0001

Dear Mr. Ruble:

Pursuant to 39 U.S.C. § 407(d), the U.S. Postal Service (Postal Service) is providing copies of two agreements for the Kahala Posts Group (KPG): the 2016 KPG Strategic Services Agreement and the 2016 KPG Members Agreement.

The non-public versions of the agreements are marked "Confidential" and "Non-Public" because the documents contain information considered confidential and commercially sensitive by the parties to the agreements. Further, the Postal Service considers certain portions of the documents to be protected by 39 U.S.C. § 410(c)(2) and not subject to mandatory disclosure under the Freedom of Information Act (FOIA) for that reason. The documents also contain the commercial information of several other postal operators, and as such, certain portions of the instruments are subject to protection under Exemption 4 of the FOIA.

Consequently, we have attached an application for non-public treatment of these documents under 39 C.F.R. § 3007. In addition, we respectfully request that the Postal Regulatory Commission coordinate with the Postal Service in the event that the documents become subject to the FOIA request so that we can engage in appropriate consultations with the affected postal operators.

Please feel free to contact me if further information would be helpful.

Sincerely,

Anthony F. Alverno  
Chief Counsel,  
Global Business and Service Development

Enclosures

## **APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of the enclosed cooperation and operational agreements for improvement of international postal services, particularly express, packages and logistic services, among members of the Kahala Posts Group (KPG).<sup>1</sup> The Postal Service is transmitting these agreements to the Postal Regulatory Commission (Commission) in accordance with 39 U.S.C. § 407(d). Redacted versions of these agreements are enclosed with the instant transmittal. The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);**

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment

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<sup>1</sup> At the time of the execution of the agreements, members of the KPG included: The Postal Service, Australian Postal Corporation, China Post Group, Correos y Telégrafos SAE, Hongkong Post, Japan Post Co., Ltd., Korea Post, Groupe La Poste, Royal Mail Group, Ltd., and Thailand Post.

competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).<sup>2</sup> Because the portions of materials filed non-publicly fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

**(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;**

In the case of agreements such as the ones transmitted here, the Postal Service believes that the postal operators that are parties to the agreements are the only third parties with a proprietary interest in the materials. The Postal Service identifies as an appropriate contact person Vincent Mougey, Executive Director, KPG, Jubilee Center 9/F #905, 18 Fenwick Street, Wan Chai, Hong Kong, Hong Kong. Mr. Mougey's phone number is +852 2528 6716, and his e-mail address is vincent.j.mougey@usps.gov. The Postal Service has already informed the member posts of KPG, in compliance with 39 C.F.R. § 3007.20(b), about the nature and scope of this filing and about the postal operators' ability to address any confidentiality concerns directly with the Commission.

**(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

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<sup>2</sup> The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

As required by 39 U.S.C. § 407(d), the Postal Service is transmitting agreements with foreign postal operators, certain of which are agencies of a foreign government.

The agreements include specific targets and measurement of service objectives, targets, and/or levels of achievement for Standard (EMS) items; dispatch and delivery of Standard (EMS) items; End-to-End Standard (EMS) service items; electronic data interchange (EDI) events transmissions; and End-to-End Economy (Air Parcels) service. The agreements also include information concerning required KPG expenses and fees; information technology support, maintenance and enhancement; and product market research. The Postal Service maintains that the redacted portions of the document should remain confidential.

**(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices.

Competitors, which might include foreign postal operators as well as integrators, could use the targets and levels of achievement and financing information described in (3) above to assess any possible comparative vulnerabilities and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service and the foreign postal operators that signed the agreements.



Additionally, foreign postal operators or other potential customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service and other KPG members. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The agreements include specific information concerning targets and levels of achievement and financing. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors, and the competitors of the other postal operators that signed the agreements, would have the advantage of being able to assess the Kahala Post Group's required targets and levels of achievement. Competitors would be able to take advantage of the information when setting their own targets and levels of achievement. Additionally, foreign postal operators or other potential customers could use such information to their advantage in negotiating the terms of their own agreements with the Postal Service. Eventually, this could freeze the Postal Service out of the expedited and parcels market.

Information in the Agreements also consists of sensitive commercial information of foreign postal operators that are members of KPG. Disclosure of such information could be used by competitors of those postal operators to develop a benchmark for the development of a competitive alternative.

Finally, information about membership fees required to join the organization and its activities is withheld on grounds that disclosure could provide insight by competing postal operators and integrators on certain costs of

maintaining a similar type of association. Disclosure of such information would enable competitors to gain valuable intelligence to mimic a similar type of arrangement.

**(5) At least one specific hypothetical, illustrative example of each alleged harm;**

Harm: Public disclosure of performance metrics in the enclosed agreements would provide foreign postal operators that did not sign the agreements transmitted with extraordinary negotiating power in negotiations with the Postal Service.

Hypothetical: The agreements are disclosed publicly on the Commission's website. A postal operator that did not sign the agreements sees the information and uses the publicly available information concerning targets and levels of achievement to the Postal Service's detriment in negotiations with the Postal Service over bilateral expedited and parcel services.

Harm: Public disclosure of information in the agreements, including information concerning KPG's strategic initiatives, would be used by the Postal Service's competitors, as well as competitors of the foreign postal operators that signed the agreements.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the agreements from the Postal Regulatory Commission's website. The competitor analyzes the agreements to assess the foreign postal operators' and the Postal Service's targets and levels of achievement, as well as

KPG's strategic initiatives. The competitor uses that information as a baseline to develop competitive alternatives.

Harm: Competitors would use performance thresholds to assess vulnerabilities and focus sales and marketing efforts to the detriment of the Postal Service and the other postal operators that signed the agreements.

Hypothetical: The information about targets and levels of achievement thresholds in the agreements is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor then uses this information as a concrete comparison point, advertising itself to potential customers as offering performance better than the Postal Service's or another postal operator that signed the agreements.

Harm: Competitors could use the information in the agreements to create competing associations that mimic the structure, funding, and activities of the association.

Hypothetical: Information about membership fees required to join the organization and its activities is released on the Commission's website. Through disclosure of the costs of joining the organization and its activities, competing postal operators or integrators can assess whether the expenses needed to create a competing organization or association would be a worthwhile. If so, a competing postal operator or integrator would use the information in the

agreements as a template to create a model for a competing association and lure postal operators to the competing organization with promises of lower fees and lower achievement thresholds. Further, competitors could gain valuable intelligence to assess the costs borne by the KPG operators on the administration of the association and their efforts targeted at the markets which serve as the focus of KPG activities.

**(6) The extent of protection from public disclosure deemed to be necessary;**

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant markets for international expedited and parcels products (including postal operators and private sector integrators), as well as their consultants and attorneys. Additionally, the Postal Service believes that, except for foreign postal operators that already have access to this information, actual or potential customers of the Postal Service for parcels and expedited services or similar products should not be provided access to the non-public materials.

**(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and**

The Commission's regulations provide, at this time, that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30

**(8) Any other factors or reasons relevant to support the application.**

None.

***Conclusion***

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

# **KPG MEMBERS AGREEMENT**

**3 DECEMBER 2015**

**WHEREAS**, the Australian Postal Corporation, the China Post Group, Correos y Telégrafos SAE, Hongkong Post, Japan Post Co., Ltd., Korea Post, Groupe La Poste, Royal Mail Group Ltd., Thailand Post and United States Postal Service ("**Parties**", and also known as "**KPG Members**"), the designated postal operators of their respective territories, provide international postal services including express and package services among themselves, and

**WHEREAS**, the KPG Members desire to work together to improve international postal services, particularly express and package services exchanged between KPG Members, and, through their collaboration, seek to promote customer choice and improve service options for postal express and package services consistent with the laws that apply to them,

**THE** undersigned KPG Members hereby declare their intention to cooperate for the improvement of international postal services, particularly express, and package services under the name KPG.

## **1. LEGAL STATUS OF THE KPG MEMBERS AGREEMENT**


This Agreement sets forth the manner in which the KPG Members will interact among themselves in making decisions about how to improve international postal services, particularly express, and package services. It is a legally-binding agreement between the KPG Members and is not intended to create a partnership, joint venture or any other legal form of business association.

## **2. PURPOSE**

- (a) The purpose of this Agreement is to set forth a process and structure by which the KPG Members may discuss potential actions to improve international postal services, particularly express and package services and decide what measures, if any, they might jointly undertake to improve these services for the benefit of their customers.
- (b) With a view to achieving such improvements, the KPG Members agree to devote appropriate resources for the development of a range of suitable products to meet the prevailing business and customer needs and to achieve the service standards laid down for such products.

## **3. CEO BOARD**

- (a) The policies and strategies of KPG shall be determined by the CEO Board.

- (b) The CEO Board shall consist of the Chief Executive Officer of each KPG Member.
- (c) The CEO Board shall normally meet annually at a place selected by CEO Board members. KPG Members shall take turns hosting the CEO Board meetings and bearing the cost of the logistics involved.
- (d) Additional CEO Board meetings may be held upon the request of the Chairman of the CEO Board or upon the request of a majority of at least two-thirds of the KPG Members CEOs.
- (e) The Chief Executive Officer of any KPG Member may designate a representative to attend a meeting of the CEO Board.
- (f) In principle, each KPG Member CEO shall hold the position of CEO Board Chairman in turn as determined by the CEO Board. The CEO Board Chairman (or his or her designee) shall preside at meetings of the CEO Board and perform all other functions pertaining to the Chairman of the CEO Board. The CEO Board Chairman shall normally serve a term of one year.
- (g) Decisions of the CEO Board shall be taken by consensus whenever possible. When consensus cannot be reached, decisions may be taken by a majority of at least two-thirds of the members of the CEO Board.  

- (h) Each KPG Member shall bear the expenses incurred by its Chief Executive Officer (or designee) in attending the meetings of the CEO Board.

#### **4. BOARD OF DIRECTORS**

- (a) The execution of the policies and strategies determined by the CEO Board shall be overseen by the Board of Directors. The Board of Directors shall submit an annual Business Plan to the CEO Board.
- (b) The Board of Directors will be comprised of a nominee of each KPG Member. KPG Members will make every effort to ensure that the nominated Directors:
  - (i) have a sufficient degree of seniority and authority so as to enable the Board of Directors to reach binding decisions in as many instances as possible without referral of matters to the CEO Board or member

operators; and

(ii) are selected and appointed with a view to longer term service, in order to ensure, as far as is possible, continuity and consistency of the operation and decision making function at the Board of Director level.

- (c) The Board of Directors shall, based on the prevailing business needs, decide the frequency, the place and the mode of its meetings. In principle, KPG Members shall take turns hosting the Board of Directors meetings and bearing the cost of the logistics involved.
- (d) The members of the Board of Directors shall select a member to serve as BOD Chairman. The Director selected as the BOD Chairman shall preside at meetings of the Board of Directors and perform all other functions pertaining to the Chairman of the Board of Directors. The BOD Chairman shall serve a term of two years. The BOD Chairman is eligible for re-election for an additional term, or terms.
- (e) Decisions of the Board of Directors shall be taken by consensus whenever possible. When consensus cannot be reached, decisions may be taken by a majority of at least two-thirds of the Directors. [REDACTED]
- (f) The members of the Board of Directors shall select a member to serve as Treasurer. The Director selected to serve as the Treasurer shall oversee the finances of the KPG. The Treasurer shall serve a term of one year. The Treasurer is eligible for re-election for an additional term or terms.
- (g) Each KPG Member shall bear the expenses incurred by its representative in attending the meetings of the Board of Directors.

## **5. PROJECTS**

- (a) The CEO Board and the Board of Directors may decide to undertake specific projects to achieve the purpose as stated in Article 2 above. KPG Member shall make every effort to participate in and facilitate the projects so decided.
- (b) While all KPG Members are expected to make every effort to participate in and facilitate the projects so decided, each KPG Member shall decide on the scope and extent of its contribution and involvement in the projects. This shall be the subject of a separate agreement, which shall contain such terms and conditions as the members may decide. The relative benefit to, or relative usage of, a project should be taken into account in determining the scope and extent of a member's contribution to and



involvement in projects as appropriate.

## **6. FINANCING**

- (a) Except as provided in Article 5, and in principle the funding of KPG activities shall be based on [REDACTED].
- (b) All expenses incurred by any KPG Member in attending meetings concerning the activities of KPG shall be borne by that KPG Member.

## **7. LANGUAGE**

The language of the KPG for both meetings and documents shall be English. Any expenses incurred by any KPG Member in translating documents into or out of English shall be borne by that KPG Member, as shall any expenses incurred for interpretation into or out of English during meetings.

## **8. CONFIDENTIALITY**

Information disclosed or developed for the purposes of the management, operation, and deliberations of the KPG may be commercially confidential. A separate confidentiality agreement, signed by all KPG Members, is annexed to this Agreement. Subject to the terms of the separate confidentiality agreement, which takes precedence over this clause, no KPG Member may sell, use or disclose any KPG data except in pursuit of the common goals of KPG. Nor shall any KPG Member use KPG data in any manner that is in conflict with the interests of any other KPG Member.

## **9. WITHDRAWAL**

Any KPG Member may withdraw from membership at any time by giving notice of its withdrawal to the other KPG Members. Such notice shall be signed by the withdrawing KPG Member's Chief Executive Officer and sent to the other members of the CEO Board and to the KPG Executive Director. Withdrawal shall be effective on a date nominated by the ongoing KPG Members, which shall be no later than the first day of the seventh month following the month in which notice to withdraw is sent by email, facsimile, or postal means by which evidence of the date of sending and receipt can be verified. Subject to the terms of the Agreement Concerning Withdrawal, withdrawal shall not relieve the withdrawing KPG Member of any obligation it shall have incurred while it was a KPG Member. Nor shall the withdrawing KPG Member be entitled to the return of any funds already due to KPG. [REDACTED]

Within 30 days of sending its notice of withdrawal, the withdrawing KPG Member shall execute an Agreement Concerning Withdrawal from KPG which will outline the terms and conditions of the withdrawal and any continuing financial or legal obligations outstanding between KPG and the withdrawing KPG Member. As a core term, the Agreement Concerning Withdrawal will include continuing obligations related to the use of Confidential Information as set forth in the Confidentiality Agreement.

Expenses reasonably incurred by KPG to accommodate the withdrawal of a member shall be paid by the withdrawing KPG Member.

#### **10. NEW MEMBERS**

The detailed terms of membership and manner of identifying potential members will be determined by the CEO Board.

#### **11. ADDITIONAL OBLIGATIONS OF KPG MEMBERS**

KPG Members shall abide by the principles expressed in the KPG Guiding Principles as endorsed by the Board of Directors from time to time, the most recent version of which supersedes all previous versions of those same documents.

#### **12. AMENDMENT**

This Agreement may be amended by consensus of the CEO Board. Any such amendment shall be in writing and signed by each KPG Member.

#### **13. REGULATORY NOTICE**

The Parties acknowledge that U.S. law may require the filing of this Agreement and supporting documentation with the U.S. Postal Regulatory Commission ("Commission") and the U.S. Department of State.

The Parties executing this Agreement other than the U.S. Postal Service (hereinafter the "counterparties") authorize the U.S. Postal Service to determine the scope of information that must be made publicly available under U.S. law to the Commission under the Commission's rules.

The U.S. Postal Service shall notify the counterparties of any such filing with the Commission on or before the date of filing.

The counterparties further understand that any unredacted portion of the Agreement or supporting or referenced information may be available on the Commission's public website, [www.prc.gov](http://www.prc.gov), and that they have the right to address any outstanding confidentiality concerns with the Commission directly. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from public disclosure is published on the Commission's website at [www.prc.gov/Docs/63/63467/Order225.pdf](http://www.prc.gov/Docs/63/63467/Order225.pdf) and at Title 39, Code of Federal Regulations, Section 3007.22. At the request of a Party, the U.S. Postal Service will provide the docket number of the Commission proceeding, if any, used in connection with this Agreement.

#### **14. COUNTERPARTS**

This Agreement may be entered into by counterparties, all of which taken together shall constitute one and the same instrument. Any KPG Member may enter into this Agreement by executing any such counterpart.

#### **15. OPERATION OF THIS DOCUMENT**

Subject to the understanding that any actions legally taken in conformity with the provisions of prior Memoranda of Understanding, are and remain, valid and effective, this Agreement replaces any and all prior Memoranda of Understanding Concerning the Organization and Function of KPG or on the same subject matter.

This Agreement operates as from January 1, 2016 and remains operative unless and until it is amended or replaced by an instrument authorized by the CEO Board.

**Australian Postal Corporation**

Signature of authorized representative

Date.....

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**China Post Group**

Signature of authorized representative



Date.....

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**Correos y Telégrafos SAE**

Signature of authorized representative

Date.....

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**Hongkong Post**

Signature of authorized representative

Date.....

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**Japan Post Co., Ltd.**

Signature of authorized representative

Date.....

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**Korea Post**

Signature of authorized representative

Date.....

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**Le Groupe La Poste**

Signature of authorized representative

Date.....

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**Australian Postal Corporation**

Signature of authorized representative

Date.....

**China Post Group**

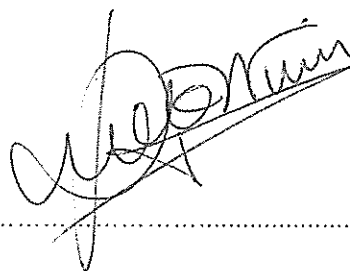
Signature of authorized representative

Date.....

**Correos y Telégrafos SAE**

Signature of authorized representative

Date..... 22/12/2015 .....



**Hongkong Post**

Signature of authorized representative

Date.....

**Japan Post Co., Ltd.**

Signature of authorized representative

Date.....

**Korea Post**

Signature of authorized representative

Date.....

**Le Groupe La Poste**

Signature of authorized representative

Date.....

**Australian Postal Corporation**

Signature of authorized representative

Date.....

**China Post Group**

Signature of authorized representative

Date.....

**Correos y Telégrafos SAE**

Signature of authorized representative

Date.....

**Hongkong Post**

Signature of authorized representative

Date..... 28.12.2015



**Japan Post Co., Ltd.**

Signature of authorized representative

Date.....

**Korea Post**

Signature of authorized representative

Date.....

**Le Groupe La Poste**

Signature of authorized representative

Date.....

**Australian Postal Corporation**

Signature of authorized representative

Date.....

**China Post Group**

Signature of authorized representative

Date.....

**Correos y Telégrafos SAE**

Signature of authorized representative

Date.....

**Hongkong Post**

Signature of authorized representative

Date.....

**Japan Post Co., Ltd.**

Signature of authorized representative

高橋 亨

Date.....28...December...2015.....

**Korea Post**

Signature of authorized representative

Date.....

**Le Groupe La Poste**

Signature of authorized representative

Date.....

**Australian Postal Corporation**

Signature of authorized representative

Date.....

**China Post Group**

Signature of authorized representative

Date.....

**Correos y Telégrafos SAE**

Signature of authorized representative

Date.....

**Hongkong Post**

Signature of authorized representative

Date.....

**Japan Post Co., Ltd.**

Signature of authorized representative

Date.....

**Korea Post**

Signature of authorized representative

Date...Dec.30, 2015... ..

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**Le Groupe La Poste**

Signature of authorized representative

Date.....

*Agreement*



**Australian Postal Corporation**

Signature of authorized representative

Date.....

**China Post Group**

Signature of authorized representative

Date.....

**Correos y Telégrafos SAE**

Signature of authorized representative

Date.....

**Hongkong Post**

Signature of authorized representative

Date.....

**Japan Post Co., Ltd.**

Signature of authorized representative

Date.....

**Korea Post**

Signature of authorized representative

Date.....

**Le Groupe La Poste**

Signature of authorized representative

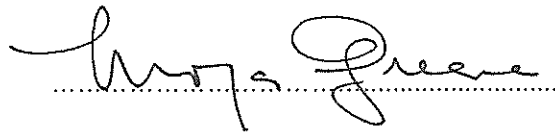
Date... 4. Décembre 2015

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**Royal Mail Group Ltd**

Signature of authorized representative

Date.....

  
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**Thailand Post**

Signature of authorized representative

Date.....

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**United States Postal Service**

Signature of authorized representative

Date.....

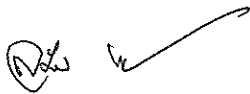
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**Royal Mail Group Ltd**  
Signature of authorized representative

Date.....

**Thailand Post**  
Signature of authorized representative

Date 16 December 2015

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**United States Postal Service**  
Signature of authorized representative

Date.....

**Royal Mail Group Ltd**

Signature of authorized representative

Date.....

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**Thailand Post**

Signature of authorized representative

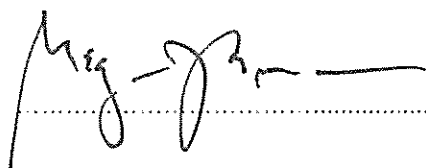
Date.....

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**United States Postal Service**

Signature of authorized representative

Date.....1/12/16.....

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**STRATEGIC SERVICES AGREEMENT 2016**

**BETWEEN**

**AUSTRALIAN POSTAL CORPORATION**

**CHINA POST GROUP**

**CORREOS Y TELÉGRAFOS SAE**

**HONGKONG POST**

**JAPAN POST CO., LTD.**

**KOREA POST**

**GROUPE LA POSTE**

**ROYAL MAIL GROUP LTD**

**THAILAND POST**

**AND**

**UNITED STATES POSTAL SERVICE**

# **STRATEGIC SERVICES AGREEMENT**

## **BETWEEN**

**AUSTRALIAN POSTAL CORPORATION  
CHINA POST GROUP  
CORREOS Y TELÉGRAFOS SAE  
HONGKONG POST  
JAPAN POST CO., LTD.  
KOREA POST  
GROUPE LA POSTE  
ROYAL MAIL GROUP LTD  
THAILAND POST  
AND  
UNITED STATES POSTAL SERVICE**

**DATED the 3 December 2015**

## **RECITALS**

**WHEREAS**, the Australian Postal Corporation, China Post Group, Hongkong Post, Japan Post Co., Ltd., Korea Post, Correos y Telégrafos SAE ("Correos"), Royal Mail Group Ltd ("Royal Mail"), Groupe La Poste ("La Poste"), Thailand Post and the United States Postal Service (the "Members") have entered into KPG Members Agreement (the "Agreement") whereby they have agreed to work together to improve international postal services, particularly express and package services in the Asia-Pacific Rim and other regions under the name KPG, and their collaboration seeks to promote customer choice and improve service options for postal express and package services consistent with the laws that apply to them, and

**WHEREAS**, the Agreement provides that the undersigned postal operators have agreed to devote appropriate resources to develop a range of suitable products to meet the prevailing business needs and to achieve the service targets laid down for such products; and

**WHEREAS**, the Agreement provides that the CEO Board established in accordance with Article 3 of the Agreement (hereinafter "CEO Board") and the Board of Directors established in accordance with Article 4 of the Agreement (hereinafter "Board of Directors") may decide to undertake specific projects to achieve the purposes of the Agreement, and that such projects shall be the subject of separate agreements containing such terms and conditions as the members of KPG decide;

The undersigned postal operators hereby agree as follows:

## **OPERATIVE TERMS**

### **1. Purpose**

This Strategic Services Agreement ("SSA") describes a 'specific project' as defined in the Agreement, and establishes specific tasks and activities with respect to the management and operation of KPG, and the Standard (EMS) service and the Economy (Air Parcels) service and other related business initiatives as defined herein for the period commencing on January 1, 2016, and ending on December 31, 2016.

### **2. Definitions**

As used in this SSA, the following terms mean:

- A. Service Objectives—The amount of time, measured in Business Days, for the dispatch, delivery or end-to-end handling of Standard (EMS) and Economy (Air Parcels) items.
- B. Target—The goal for successfully meeting the Service Objectives, expressed as a percentage of number of items meeting the Service Objectives compared to the total number of items.
- C. Level of Achievement—The actual performance against Target, expressed as a percentage of the number of items meeting the Service Objectives compared to the total number of items.
- D. Business Days—Mondays through Sundays, except statutory public holidays and any additional days designated by each postal operator as non-Working Days.
- E. Critical Acceptance Time—The latest time at which a customer can post a Standard (EMS) item.
- F. Critical Entry Time—The latest time at which Standard (EMS) items can be received from other KPG Members.

### **3. Application of Service Objectives, Targets, and Levels of Achievement for Standard (EMS) Service**

- A. Each KPG Member shall establish a Critical Acceptance Time for the receipt of Standard (EMS) items from customers. Service Objectives, Targets, and Levels of Achievement for dispatch of Standard (EMS) items shall be measured from the Business Day of receipt of Standard (EMS) items received from customers before the Critical Acceptance Time. Service Objectives, Targets, and Levels of Achievement for dispatch of Standard (EMS) items shall be measured from the next Business Day for items received from customers after

the Critical Acceptance Time. Critical Acceptance Times may vary from post code to post code and by office of exchange from which or to which Standard (EMS) items may be dispatched.

- B. Each KPG Member shall establish a latest Critical Entry Time for the receipt of Standard (EMS) items from other KPG Members. Service Objectives, Targets, and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the Business Day of receipt for Standard (EMS) items received from other KPG Members before the Critical Entry Time. Service Objectives, Targets and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the next Business Day for Standard (EMS) items received from other KPG Members after the Critical Entry Time. Critical Entry Times may vary from post code to post code and by office of exchange at which Standard (EMS) items may be received.
- C. When Standard (EMS) items are submitted to customs for clearance, Service Objectives, Targets, and Levels of Achievement for Standard (EMS) items shall be measured [REDACTED]

#### **4. Standard (EMS) Service Objectives**

- A. Each KPG Member shall provide its Service Objectives for the outbound dispatch (leg 1) and the inbound delivery (leg 3) of Standard (EMS) items exchanged among KPG Members to the Board of Directors and the KPG Management Team. These Service Objectives may be amended unilaterally by the member concerned in accordance with agreed policies and standard operating procedures relative to database maintenance and updates.
- B. Pursuant to Article 19 (KPG Management Team), the KPG Management Team shall establish processes, policies and standard operating procedures to efficiently maintain Service Objectives for end-to-end delivery of Standard (EMS) items exchanged among KPG Members. The end-to-end Service Objectives shall be based on information supplied by the KPG Members.
- C. KPG Members are responsible for providing knowledgeable and accountable managers to submit updates to Service Objectives with high data integrity. Service Objectives for dispatch and delivery shall be competitive, according to criteria defined by the Board of Directors. It is the responsibility of KPG Members to keep the information upon which the end-to-end Service Objectives are based up to date and submit updates to the Service Objectives according to an agreed schedule, policies, and standard operating procedures relative to database maintenance and updates.



## **5. Target for Dispatch and Delivery of Standard (EMS) Items**

- A. Except as otherwise provided in this Article, KPG Members agree to maintain the dispatch (leg 1) and delivery (leg 3) of Standard (EMS) items at [REDACTED] consistent performance and transportation (leg 2) at [REDACTED] consistent performance.
- B. [REDACTED] shall use its best efforts to improve the dispatch (leg 1) and delivery (leg 3) of Standard (EMS) items to [REDACTED] performance [REDACTED].

## **6. Level of Achievement for Dispatch and Delivery of Standard (EMS) Items**

Subject to Article 11 (Force Majeure), each KPG Member shall maintain a minimum Level of Achievement in accordance with Article 5 (Target for dispatch and Delivery of Standard (EMS) items) of this SSA. Levels of Achievement for Standard (EMS) items shall be measured [REDACTED].

## **7. Target for End-to-End Standard (EMS) Service**

- A. Except as otherwise provided in this Article, the Target for end-to-end delivery of Standard (EMS) items shall be to achieve and maintain [REDACTED] performance in meeting the end-to-end Service Objectives.
- B. In expectation of a day-certain guaranteed product launch as determined under Article 12 (Guarantee), and subject to Article 11 (Force Majeure), [REDACTED] shall use its best efforts to reach the end-to-end Service Objective to other KPG members at a Target of [REDACTED].

## **8. Level of Achievement for End-to-End Standard (EMS) Items**

Subject to Article 11 (Force Majeure), each KPG Member shall maintain a minimum Level of Achievement for end-to-end Standard (EMS) items that is equal to or greater than the Target listed in Article 7 for Standard (EMS) items. Levels of Achievement for end-to-end Standard (EMS) items shall be measured [REDACTED]  
[REDACTED]

## **9. Measuring Standard (EMS) Service**

- A. Each KPG Member shall establish, maintain, and operate a track and trace system that conforms to the agreed attributes for measurement systems determined by the Board of Directors.

- B. Each KPG Member shall ensure defined scan events and agreed other EDI messages are captured, transmitted and comply with specified attributes.
- C. Except as otherwise provided in this Article, each KPG Member agrees to achieve and consistently maintain a target of [REDACTED] for all EDI events transmissions.
- D. [REDACTED] shall use its best efforts to achieve a target of [REDACTED]

## **10. Other Minimum Service Attributes for Standard (EMS) Service**

Each KPG Member shall provide the following minimum service attributes for Standard (EMS) Service in addition to the Service Objectives, Targets, and Levels of Achievement, either as specified herein, or as otherwise agreed by the Board of Directors in the 2016 KPG Business Plan:

- A. Upon application by the mailer, a full refund of postage paid by that mailer in the event of service failure;
- B. Proof of delivery consisting of name and signature of the person or representative of the entity receiving the shipment and associated date of delivery, unless the sender waives the signature requirement;
- C. Scheduled and/or on-demand pick-up service availability until close-of-business on Business Days at nominated major metropolitan areas;
- D. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;
- E. Customer ability to tender traffic at retail counters and receive calculated date of delivery at the time of lodgement;
- F. Customer ability to tender traffic at retail counters and receive calculated date of delivery on Business Days; and
- G. Ability to provide Standard (EMS) Service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

## **11. Force Majeure**

- A. KPG Member is not liable for failure to perform any of its obligations insofar as it proves:
  - i. that the failure was due to an impediment beyond its reasonable control; and
  - ii. that the member could not reasonably be expected to have taken the impediment and its effect upon its ability to perform into account at the time of product launch; and

iii. that it could not have reasonably avoided or overcome such an impediment, or at least its effects.

B. An impediment within the meaning above can result from events such as the following, this enumeration not being exhaustive:

i. war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;

ii. natural disasters, such as violent storms, cyclones, earthquakes, tidal waves, floods, destruction by lightening;

iii. explosions, fires, destruction of machines, of factories, and of any kind of installations;

iv. acts of authority, whether lawful or unlawful apart from acts for which the party seeking relief has assumed risk by virtue of other provisions of this SSA, and apart from internal strikes as described in paragraph C below; and

v. external strikes which are strikes that do not involve the participating KPG Member itself, but nonetheless affects its ability to handle Standard (EMS) items or to provide transmission of data about such items. If an external strike takes place, the KPG Member can waive the guarantee of the inbound and outbound shipments for a period extending from the beginning of the external strike until two days after it is notified of the conclusion of the strike.

C. Internal strikes are defined herein as strikes within a member's organization, which causes disruption to processing of Standard (EMS) items or the provision of data about such items. If such an internal strike occurs, the member on strike cannot void the product guarantee for failing to meet standards of performance because of the internal strike.

D. A member wishing to apply for a waiver of product guarantee due to an event of force majeure must adhere to the following process:

i. the member must notify the other members by email within 24 hours of any event of force majeure becoming known; and

ii. the member shall make efforts to enter reason code 24 on all affected inbound and outbound items either individually or through batch flagging, depending on information technology capabilities and the possibility of using reason codes with scans other than EMSEVT Event Code EMH; and

iii. the affected member shall notify the other members when normal service has resumed and cease entering reason code 24 at that time.

## **12. Guarantee**

Each KPG Member shall offer to its customers a guarantee for the delivery of Standard (EMS) items to other KPG Members that conforms to the guarantee adopted by the CEO Board. The guarantee shall take effect at such time and under such conditions as the CEO Board determines based on the recommendations of the Board of Directors.

## **13. Development of Economy (Air Parcels) Service**

The Economy (Air Parcels) service developed by the Board of Directors shall have the following minimum attributes:

- A. Ability to scan items at acceptance, departure from outward Office of Exchange, arrival at inward Office of Exchange and at delivery and ability to transmit data to designated information technology infrastructure as implemented by KPG;
- B. Proof of delivery consisting of the name and signature of the person or entity receiving the shipment and associated date of delivery;
- C. Scheduled and/or on-demand pick-up service availability on Business Days at nominated major metropolitan areas;
- D. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;
- E. Customer ability to tender traffic at retail counters Monday through Friday;
- F. Customer ability to tender traffic at retail counters Saturdays and Sundays as applicable for each member; and
- G. Ability to provide an economy service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

## **14. Economy (Air Parcels) Service Objectives**

End-to-end Service Objectives shall be competitive, according to criteria defined by the Board of Directors.

## **15. Target for End-to-End Economy (Air Parcels) Service**

- A. Except as otherwise provided in this Article, the Target for end-to-end delivery of Economy (Air Parcels) items shall be [REDACTED] consistent performance in meeting the end-to-end Service Objectives. In addition, the Target of acceptance and delivery scan capture and transmission shall be each [REDACTED]. Levels of Achievement for end-to-end Economy (Air Parcels) items shall be measured [REDACTED].

- B. The end-to-end delivery target established in paragraph A of this Article shall not apply to [REDACTED]. In expectation of a non-guaranteed product launch, and subject to Article 11 (Force Majeure), Thailand Post shall use its best efforts to reach the end-to-end Economy (Air Parcels) Service Objective to other KPG members with a Target of [REDACTED].
- C. Each KPG Member shall work toward achievement of the minimum service attributes for Economy (Air Parcels) service, either as specified herein or as otherwise agreed by the Board of Directors in the 2016 KPG Business Plan.

## **16. Operational Improvement Financing**

Each KPG Member shall bear its own costs in developing, implementing, and maintaining its dispatch and delivery Service Objectives for items, achieving its Levels of Achievement to meet the Targets for items, maintaining end-to-end Service Objectives for items, and maintaining service measurement and diagnostic systems. Each KPG Member shall bear its own costs in developing its compliance with the designated product specifications as agreed by the Board of Directors. Each KPG Member shall bear its own costs in taking remedial actions to achieve minimum dispatch and delivery Levels of Achievement for Standard (EMS) items, as well as end-to-end Levels of Achievement for items as appropriate. Each KPG Member shall also bear its own costs with respect to Article 20 (KPG Posts Integration Manager) below.

## **17. Administrative Support and Coordination**

The Chairman of the KPG Board of Directors shall have responsibility for coordinating the activities provided for in this SSA. The KPG Management Team shall serve as the secretariat for the Board of Directors and shall be responsible for collecting information on the Board of Directors' behalf and preparing information for the CEO Board under the direction of the Board of Directors.

## **18. Administrative Support and Coordination Financing**

The postal operator of the KPG Board of Directors Chairman shall bear the costs of local administrative support.

## **19. KPG Management Team**

The Board of Directors shall establish a KPG Management Team (or Management Team) to provide day-to-day oversight and coordination of KPG activities and to do the day-to-day work of the Board of Directors. The KPG Management Team shall be led by a KPG Executive Director, and be otherwise structured as described in the 2016 KPG Business Plan, as endorsed by the Board of Directors. The Executive Director, who shall be responsible for the management of the remainder of the Management Team shall report to and be directed by the Board of Directors. The members of the Management Team shall either be seconded or furnished to



KPG from its members or be retained under contract. The Management Team shall in principle operate on a day-to-day basis at a location determined by the Board of Directors based on a recommendation from the Executive Director. Additional support may be commissioned by the KPG Board of Directors as needed.

## **20. KPG Posts Integration Manager**

Each KPG Member shall designate one person to serve as its KPG Posts Integration Manager to coordinate that member's KPG activities with the Board of Directors and the Management Team. Each KPG Posts Integration Manager shall have the responsibility for implementation of KPG decisions within the member postal operator.

## **21. KPG Management Team Financing**

The expenses of the Management Team, including salaries and benefits of the members of the Management Team, shall be borne by KPG up to [REDACTED] in general and up to [REDACTED] for travel related expenses, for the period ending December 31, 2016. Each member shall contribute [REDACTED] to defray those expenses. The Board of Directors shall approve travel expenditure according to the agreed guidelines for travel expenses.

## **22. KPG Home Base**

- A. The KPG Members agree that working meetings will be held in Hong Kong and to establish a bank account and central office for the KPG in Hong Kong.
- B. The cost of the establishment of a central office for KPG, and of associated operating costs, including accommodation and related expenses for co-located seconded staff, and the expenses of holding working meetings in Hong Kong, shall be borne by the KPG up to a maximum of [REDACTED]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [REDACTED] to defray those expenses.

## **23. Information Technology Support and Maintenance**

- A. The Board of Directors shall maintain the information systems needed to support the Standard (EMS) service, the Economy (Air Parcels) service and the product guarantee established in accordance with Article 12 (collectively, "KPG Systems"). KPG Systems shall include [REDACTED]

- B. KPG Members acknowledge that - as elements of their individual IT systems will deliver data to, and generally interface with elements of the KPG Systems - no changes, enhancements or modifications which could potentially affect or impact upon the performance of KPG Systems should be made to local systems or data of individual KPG Members, unless adequate prior notice of the proposed changes has been given to the KPG Management Team and to the KPG Board of Directors following agreed established processes.

#### **24. Information Technology Support and Maintenance Financing**

- A. The cost of maintaining the information systems shall be borne by KPG up to a maximum of [REDACTED]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [REDACTED] to defray those expenses.
- B. In addition, KPG Members agree that costs associated with data management services, including data cleansing, shall be borne by the KPG Members concerned.

#### **25. Information Technology Enhancements**

The Board of Directors shall undertake activities to enhance the information technology to support KPG objectives. These projects shall include future [REDACTED]

#### **26. Information Technology Enhancements Financing**

The expenses of the Information Technology Enhancement activities shall be borne by KPG up to [REDACTED] for future enhancement of existing systems, returns platform development and Force Majeure reporting application development. The expenditure of these funds shall be determined by the Board of Directors according to agreed guidelines. Each member shall contribute [REDACTED] to defray those expenses.

#### **27. KPG Network Expansion Strategy**

The Board of Directors shall undertake activities, as specified in the Business Plan, to expand the KPG network.

## **28. KPG Network Expansion Strategy Financing**

The expenses of the KPG Network Expansion activities shall be borne by KPG up to [REDACTED]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [REDACTED] to defray those expenses.

**29.** [REDACTED]

**30.** [REDACTED]

The expenses of the KPG [REDACTED]  
[REDACTED]  
Financing shall be borne by the KPG up to [REDACTED]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [REDACTED] to defray those expenses.

## **31. Process Integration**

The Board of Directors shall maintain updated reporting methodology and systems documentation. .

## **32. Market Research**

The Board of Directors shall undertake further strategic and marketing analysis for services to be provided by the KPG and shall develop and implement a further Strategic Services Agreement to take effect from January 1, 2016. The scope of this activity shall be determined by the Board of Directors. The results of the further strategic and marketing analysis shall be reflected in the business plan to be presented to the CEO Board no later than December 15, 2016. The further Strategic Services Agreement shall be completed as soon as practicable after completion of the business plan and presented to the CEO Board for signature no later than December 15, 2016.



### **33. Market Research Financing**

The expenses of the Market Research activities related to the 2016 CEO Board's annual meeting and the annual Business Plan shall be borne by KPG up to a maximum of [REDACTED]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [REDACTED] to defray those expenses.

### **34. Limitation of Activities**

- A. Except as provided in paragraph B below, the activities provided for in this SSA shall be the only activities undertaken by the KPG until this SSA expires.
- B. The CEO Board may amend this SSA to authorize and fund other projects. Proposals for additional projects for the first half of 2016 shall in principle be submitted to the CEO Board by the end of January 2016. Other proposals for additional projects shall be submitted to the CEO Board before the CEO Board meeting in July 2016.

### **35. Administration of Receipts and Payments**

A KPG Member postal operator, designated as Bursar by the Board of Directors shall be responsible for overseeing the disbursement of the payment or distribution of funds as appropriate.

### **36. Administration of Receipts and Payments Financing**

The designated KPG Member acting as Bursar shall be reimbursed its expenses for administration of receipts and payments up to the amount of [REDACTED]. Each member shall contribute [REDACTED] to defray those expenses.

### **37. Funding of Business Plan and Payment of Expenses**

Payment of all contributions specified in this Agreement shall be made to the bank account established by the Bursar on behalf of the KPG. Payment shall be made no later than April 30, 2016.

### **38. Reserve Fund**

All funds not expended during a particular year shall be kept as a reserve fund for the year following. During the year following, the Board of Directors shall either expend the resources of the reserve fund for any project which has been approved

by the CEO Board or authorize the partial or full disbursement of these funds to their originators.

#### **39. [REDACTED] – to Achieve the Anticipated Operational Efficiencies and Related Benefits to Customers**

In order to achieve the operational efficiencies and related customer benefits contemplated by the Agreement and this SSA, [REDACTED]

[REDACTED]

[REDACTED]

#### **40. Reallocation of Resources**

In the event that the Board of Directors determines that funds allocated to a particular project under this SSA could be more effectively expended on a different project that is also included in this SSA, the Board may reallocate those funds as it deems appropriate, provided that the total expenditures do not exceed the total amount of funds authorized under this SSA.

#### **41. Non-liability**

The relationship created under this SSA does not constitute a partnership or like entity under any national or international law. No member may act as an agent for any other member except as specifically authorized or provided in this SSA or any subsequent agreement. No member shall be liable for the acts or omissions of any other member with respect to the activities related to this SSA, nor, except as specifically provided in this SSA or any subsequent agreement, shall any member be entitled to any indemnity from any other member with respect to any act or omission with respect to the activities related to this SSA.

#### **42. Entire Agreement; Nature of Agreement**

- A. This SSA constitutes the entire agreement among the parties with respect to the specific matters dealt with herein. No previous understanding or agreement among the parties, or any of them, with respect to the specific matters contained herein (to include any commercial law agreements between the parties, but not any agreements purporting to be executed under international

law) shall have any legal force or effect except as specifically incorporated in this SSA.

- B. The Parties acknowledge that, in accordance with Article RL 253 of the UPU Letter Post Regulations and with respect to Parcels, Article 12.5 of the Universal Postal Convention, to which their countries are parties, aspects of EMS and Air Parcel Service not expressly governed by this SSA, or other KPG instruments, are subject to the appropriate provisions of the Acts of the Universal Postal Union.
- C. The signatories acknowledge that this instrument sets out the terms and conditions of a mail exchange arrangement and is not an agreement entered into under or subject to international law. This SSA is only binding on the signatories and it is not binding on their governments.

#### **43. Business Plan and Budget for 2017**

The Board of Directors shall, by December 15, 2016, develop and submit to the CEO Board a business plan for calendar year 2017 and detailed budget for calendar year 2017 to support the business plan.

#### **44. Effective Date and Duration**

This SSA shall take effect on January 1, 2016 and shall remain in effect through December 31, 2016.

#### **45. Regulatory Notice; Confidentiality**

The Parties acknowledge that U.S. law may require the filing of this Strategic Services Agreement and supporting documentation with the U.S. Postal Regulatory Commission ("Commission") and the U.S. Department of State.

The Parties executing this Strategic Services Agreement other than the U.S. Postal Service (hereinafter the "counterparties") authorize the U.S. Postal Service to determine the scope of information that must be made publicly available under U.S. law to the Commission under the Commission's rules.

The U.S. Postal Service shall notify the counterparties of any such filing with the Commission on or before the date of filing.

The counterparties further understand that any unredacted portion of this Strategic Services Agreement or supporting or referenced information may be available on the Commission's public website, [www.prc.gov](http://www.prc.gov), and that they have the right to address any outstanding confidentiality concerns with the Commission directly. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from public disclosure is published on the Commission's website at [www.prc.gov/Docs/63/63467/Order225.pdf](http://www.prc.gov/Docs/63/63467/Order225.pdf) and at Title 39, Code of Federal Regulations, Section 3007.22. At the request of a Party, the U.S. Postal Service will provide the docket number of the Commission proceeding, if any, used in connection with this Strategic Services Agreement.

#### **46. Counterparts & Agreement Date**

This Strategic Services Agreement may be entered into by counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Strategic Services Agreement by executing any such counterpart. This Strategic Services Agreement shall be binding only on those parties which execute a counterpart.

## SIGNING CLAUSES

AUSTRALIAN POSTAL CORPORATION	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CHINA POST GROUP	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CORREOS Y TELEGRAFOS SAE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

HONGKONG POST	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

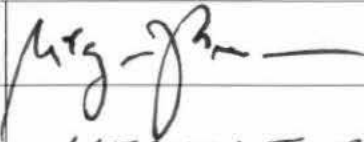
<b>JAPAN POST CO., LTD.</b>	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

<b>KOREA POST</b>	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

<b>GROUPE LA POSTE</b>	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

<b>ROYAL MAIL GROUP LTD</b>	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

THAILAND POST	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

UNITED STATES POSTAL SERVICE	
Signature of Authorized Representative	
Name of Authorized Representative	MEGAN J. BRENNAN
Date of Signing	1/12/14

